

ATTACHMENT 3

EQUITY TERM SHEET

Target Investments:	„Defensive“ or „Defensive Plus“ assets as described in CalPERS Infrastructure Strategic Plan. Essential assets with monopoly characteristics under proven regulation or with acceptable long term contractual regimes.
Asset Types:	Roads, bridges, tunnels, rail, airports, ports, natural-gas fired power generation, renewable power generation, electric transmission, energy midstream (pipelines, oil & gas storage, LNG), electric and gas utilities, water pipelines, water and waste water utilities, desalination facilities, essential communications systems and social infrastructure.
Eligible Investments:	<p>Stable, long-lived, cash generating assets with high levels of execution certainty, consisting of:</p> <ul style="list-style-type: none"> • Availability-based Public-to-Private Partnerships (“P3”) (subject to revenue and cash flow certainty under commercially acceptable appropriations schemes and suitable financial strength of procuring authority); • Brownfield Toll/User-Fee based P3 (subject to acceptable volume history and forecast; acceptable toll/user fee regime); • Contracted electric transmission, power generation, energy midstream, water and waste (subject to acceptable contract terms and counterparty credit quality); • Regulated utilities: electric, gas, integrated, water, waste water, communications/cable (subject to acceptable regulatory regimes)
Greenfield Assets:	No development/entitlement risk (all key permits, approvals, required contracts, easements etc are in place). Minimal construction risk, mitigations consisting of, but not limited to, acceptable Engineering Procurement Construction and/or Design Build Agreements with market based liability caps, liquidated damages, bonding and liquidity/security enhancement.
Operating Agreements:	Where applicable, acceptable long-term Operations & Maintenance Agreements from suitable parties with market based terms including termination provisions, liquidated damages etc.

Investment Structures:	Direct investments in the form of preferred or common equity through commercial structures and legal forms (LLCs, C Corps, other).
Leverage:	Debt in the capital structure required to have a minimum BBB- or Baa3 credit rating from one or more acceptable, major credit rating agencies. All leverage to be non-recourse to CalPERS.
Cash Yield:	Targeted average annual cash yields dependent upon nature of the investment. Strong preference for investments with higher cash yields and those which provide cash dividends in all stages of the investment.
Net <u>Real</u> Equity Return Requirements:	<p><u>Common Equity</u> Minimum 4.0 – 8.0% in US Dollars. Return requirements adjusted for risk, tenor, and subject to acceptable inflation protection and/or linkage.</p> <p><u>Preferred Equity</u> To be determined on investment by investment basis.</p>
CalPERS Target Investment Size:	\$150 - \$300 million per transaction.
Partners:	CalPERS'' partners to consist of experienced and reputable firms/enterprises of significant financial size and strength with like-minded goals and objectives with respect to the asset/investment.
Ownership & Governance:	CalPERS seeks to make investments which provide significant minority investment stakes and significant shareholder rights. Governance and shareholder terms TBD with respect to each investment and consistent with the size of CalPERS'' stake and the nature of the investment/asset.
Exit Rights:	No restrictions on CalPERS exit.
Due Diligence:	Commercial due diligence consisting of legal, technical/engineering, environmental, pricing, volume, regulation, financial (including detailed financial models), tax, accounting, insurance, forecast market conditions etc.